Physician-Focused Payment Model
Technical Advisory Committee

WHITE PAPER

Transforming Health Care Delivery Through Value-Based Payment Models and Care: A Roadmap

Recommendations of PTAC Based on 10 Years of Operation

Prepared by

the Physician-Focused Payment Model Technical Advisory Committee (PTAC)

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PREFACE

The United States continues to face the need and opportunity to significantly improve the value of the health care system. The latest projections have health care reaching 20 percent of the gross domestic product by 2033, while health outcomes remain disappointing.[1] In recognition of these issues, Medicare and other stakeholders have tested and implemented Alternative Payment Models (APMs)—so termed because they represent alternatives to historical volume-based fee-for-service (FFS) payment and instead seek to incentivize value-based care. While many of these value-based payment models have shown promise, substantial opportunities for their expansion and improvement remain.

The aim of this white paper is to articulate a set of recommendations or a roadmap for policy that further incentivizes and supports the transformation of the U.S. health care system to one that produces high-value, patient-centered care. These recommendations draw on the Physician-Focused Payment Model Technical Advisory Committee's (PTAC's) 10 years of experience. They intend to build on the significant progress that Medicare and other payers have made in implementing APMs.

PTAC was established under the Medicare and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015 (MACRA). The statutory mission of PTAC is to make comments and recommendations to the Secretary of Health and Human Services (the Secretary, HHS) on proposals for physician-focused payment models (PFPMs) submitted to PTAC by individuals and stakeholder entities. Within this context, it is beneficial for PTAC to reflect on PFPM proposals that have been submitted to the Committee to provide further advisement on pertinent issues regarding effective innovation in PFPMs and APMs. With that in mind, the Committee began a series of theme-based discussions on this topic in September 2020. Since 2015, the Committee has received 36 proposals for PFPMs and has deliberated and sent recommendations to the Secretary on 28 of the 36 proposals.

One emphasis in PTAC theme-based meetings has been population-based total cost of care (TCOC) models. Recognizing that payment and care transformation through these models will involve a complex set of policy choices that will need to be harmonized, the Committee has focused on fielding testimony about and deliberating on these arrangements as a foundational element in the value-based payment and care landscape. In turn, the roadmap and recommendations contained in this white paper are largely directed toward expanding these models.

In producing this white paper, the Committee is aware of the need to carefully drive transformation of a $6 trillion health care system using deliberate, evidence-based strategies and processes. The Committee also acknowledges the debate regarding the impact of value-based payment models to date, and the fact that disappointment about their impact has led some to recommend terminating value-based payment model efforts in favor of other strategies, such as modifying fee schedules and other payment systems.

As reflected in its recommendations, PTAC believes that it is most prudent to use what has been learned to date to evolve and refine, rather than discard, efforts to implement value-based payment models. Through models developed by the Centers for Medicare & Medicaid Services (CMS) Innovation Center

[1] Keehan SP, Fiore JA, Poisal JA, Cuckler GA, Sisko AM, Smith SD, et al. National Health Expenditure Projections, 2022-31: Growth To Stabilize Once The COVID-19 Public Health Emergency Ends. *Health Affairs*. 2023;42(7):886-98. doi:10.1377/hlthaff.2023.00403

and created by statute (e.g., Medicare Shared Savings Program [MSSP]), CMS has made important progress toward transforming the delivery system using value-based arrangements. The Committee believes that this work should continue. Indeed, the recommendations contained in this white paper are meant to support and accelerate efforts to drive delivery system transformation through value-based purchasing and APMs.

SUMMARY OF PTAC RECOMMENDATIONS

Through its public meetings, discussions with presenters, and Committee deliberations, PTAC has explored a wide range of topics related to value-based payment and care, with emphasis on TCOC arrangements. Based on these discussions and emerging research, the Committee has developed a vision for TCOC models and explored various aspects of model design, including the payment approach; maximizing participation in TCOC models; performance measurement; enablers and other flexibilities for TCOC models; TCOC models in rural areas; technology-enabled care, artificial intelligence (AI), and patient empowerment in TCOC models; and patient safety. PTAC recommendations in each of these areas are summarized in Exhibit 1.

Exhibit 1. Summary of PTAC Recommendations

Recommendation 1	Through communications, model design, and implementation strategies, policymakers should continually reinforce a sense of urgency around and commitment to value-based payment and care as the principal policy tool for transforming the delivery system to moderate spending growth while improving population health outcomes.
Recommendation 2	Across all payers, there should be a shared vision for the care delivered by TCOC models, encompassing the following priorities: • Multidisciplinary team-based, high-touch, proactive, patient-centered care; • Seamless, well-coordinated care, including during care transitions; • Strong patient empowerment and engagement; • Balanced use of, and coordination between, advanced primary care and specialty care; • Targeted population-based interventions to prevent or mitigate populations' risk of developing adverse health outcomes; • Emphasis on reducing disparities in care and outcomes; and • Identification of health-related social needs and connection to appropriate resources. Payment methods and performance measures should continually evolve to reinforce the shared vision for care.
Recommendation 3	For TCOC models that involve participation among organizations as accountable care entities, accountability should be placed at the level of the organization, with flexibility to design incentives at the provider level.
Recommendation 4	Assuming regulatory and clinical appropriateness, accountable entities should be afforded flexibility in how they manage and organize care in accordance with the vision described in Recommendation 2.
Recommendation 5	Regardless of the specific payment approaches implemented, CMS should continue to make progress in establishing benchmarks that engender long-term predictability for payers, health plans, and accountable care entities.

Recommendation 6	Regardless of the specific payment approaches implemented, some portion of payment should be made prospectively to provide financial predictability and enable investments in infrastructure needed for the transformation to value-based care.
Recommendation 7	For clinicians and organizations new to value-based payment, a clear, simple glide path should be implemented to enable capacity building, for example, by beginning with upside-only risk (potential for savings but not losses) and moving toward two-sided risk (potential for either savings or losses) over time.
Recommendation 8	While CMS has made progress toward increasing incentives to participate in TCOC models, new pathways are needed to encourage greater participation among: • Small and large independent practices and rural providers; and • Integrated delivery systems. These pathways would involve a number of different payment mechanisms, perhaps transitional, and may have to be supplemented with mandatory model development.
Recommendation 9	For all potential payment pathways (described in Exhibit 6), CMS should develop methods to incentivize integration of high-value specialty care with advanced primary care. Potential methods include the development of episode-based models that: • Incentivize specialists to provide high-value, coordinated care; • Nest cascading accountability into TCOC models as part of total payment to the organization; • Involve data that can be used by accountable entities for internal payment and performance purposes; and • Involve data that can inform referrals from primary care to high-quality specialists.
Recommendation 10	Performance should be measured at the level of the accountable entity in TCOC models, with emphasis on performance measures that reflect key attributes of the vision for TCOC models detailed in Recommendation 2.
Recommendation 11	Measures used in TCOC models should be a balanced portfolio that reflects domains such as clinical quality, population health outcomes, and patient experience. These measures can: • Include structure, process (if strongly linked to outcomes), and outcome measures; • Include patient-reported outcomes and experiences with care; and • Be derived from claims, electronic medical record data, or surveys.
Recommendation 12	Performance measures should be linked using transparent methods to payment at the level of the accountable entity in TCOC models.
Recommendation 13	CMS should continue its efforts to provide real-time, patient-level claims data to accountable entities in TCOC models.
Recommendation 14	To the extent possible under current authority, CMS should lead the way for commercial payers to encourage participation in value-based payment models. CMS should use its leadership position to help public and private payers align both their commitment to value-based care and payment and

	their methods (e.g., risk adjustment, performance measures) for implementing these strategies.
Recommendation 15	CMS should provide accountable entities with waivers and flexibilities, including those that could be analogous to those allowed for Medicare Advantage plans, to ensure that accountable entities can achieve the vision for care under TCOC models.
Recommendation 16	Rural provider participation in TCOC models should be encouraged by multiple strategies, including providing upfront payments to support the adoption of health information technology infrastructure and data analytics, allotting a greater percentage of the overall spend on health care to primary care in rural settings, and establishing participation glide paths.
Recommendation 17	Rural providers should be encouraged to collaborate with other providers in their region to aggregate the volume of patients under value-based payment models.
Recommendation 18	Patients and their clinicians and organizations should be provided with access to real-time, usable patient health data to promote patient engagement. Digital health tools can aid in the collection, sharing, and integration of these data.
Recommendation 19	Through both payment methods and performance measures, APMs should strengthen incentives for providers to use the vast amount of usable data to generate actionable insights and empower patients through shared decision-making. Models should also incentivize patients to participate in decision-making and engage in health-promoting behaviors. For example, ACOs could be provided with waivers to allow for structuring out-of-pocket payments in ways that incentivize patient engagement.
Recommendation 20	For current and newly implemented APMs, incentives to significantly improve patient safety efforts should be emphasized and strengthened through new performance measures and payment methods.
Recommendation 21	The CMS Innovation Center should consider developing a patient safety-specific model that includes incentives for new methods of reducing patient harm, such as investing in new information systems, changing system-level culture, and inducing greater transparency. One option is a hospital-level "earn-back" model in which hospitals would earn back payments withheld due to not meeting patient safety benchmarks or demonstrated improvement in specific patient safety-related performance indicators. Accountability should include ambulatory facilities and provider-owned or contracted hospitals and delivery systems. Entities implementing the withhold policy should account for and develop alternatives for financially vulnerable facilities.
Recommendation 22	In addition to the previous recommendation, the CMS Innovation Center might initiate a new version of the Health Care Innovation Awards for ground-level development and implementation of a patient safety model. For example, an award might be provided to organizations willing to form an alliance that shares longitudinal patient safety data and produces evidence of best practices.

Additionally, the Committee has considered several policies that can support TCOC models and value-based payments more broadly. These supporting policies include reforming fee-for-service and Medicare Advantage (MA) while strengthening value-based models as an alternative to both; considering the use of mandatory versus voluntary participation in payment models; and focusing on a smaller set of models.

INTRODUCTION

The United States is now in its sixth decade of actively pursuing policies to contain the rising costs of health care. At various times, these policies have focused on the supply side of markets, the demand side, establishing volume limits, implementing fee schedules, and improving competition. In recent years, policies have focused on value—both containing costs and improving health care quality and outcomes. The degree to which any of these policies have been successful is uncertain, and it is clear that more work needs to be done in terms of both cost and population health. Health care spending is on the rise and is projected to reach nearly one-fifth of the nation's gross domestic product by 2033.[2] By many measures, quality and health outcomes have not risen along with spending. Life expectancy in the United States was 76.4 years in 2021, roughly four years below the average of Organisation for Economic Co-operation and Development (OECD) countries, while per capita health care spending was $12,500, almost 2.5 times the average in OECD countries.[3] In addition, numerous studies suggest that 25 percent or more of the spending is wasteful.[4]

Many of the policies pursued in recent years fall under the umbrella of value-based or accountable care.[5] In general, value-based care is a term often used to describe health care that is designed to focus on quality of care, provider performance, and patient experience. Value-based care is commonly associated with characteristics such as having an advanced primary care foundation; addressing population health management; emphasizing the provision of well-coordinated, patient-centered care; and focusing on wellness and prevention. The key strategy for achieving value-based care is moving away from fee-for-service (FFS) payment to Alternative Payment Models (APMs) that provide strong incentives for providers and patients to focus on quality and outcomes over quantity of services. The Centers for Medicare & Medicaid Services (CMS) Innovation Center was established under the Affordable Care Act (ACA) for the purpose of testing innovative payment and service delivery models to reduce program expenditures while preserving or enhancing the quality of care. The ACA also authorized the Medicare Shared Savings Program (MSSP) as an Accountable Care Organization (ACO) option for traditional Medicare. The CMS Innovation Center and MSSP have become key engines for implementing and testing APMs, providing evidence, and driving changes.

The Physician-Focused Payment Model Technical Advisory Committee (PTAC) was established by the Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015 (MACRA)

[2] Keehan SP, Fiore JA, Poisal JA, Cuckler GA, Sisko AM, Smith SD, et al. National Health Expenditure Projections, 2022-31: Growth To Stabilize Once The COVID-19 Public Health Emergency Ends. *Health Affairs*. 2023;42(7):886-98. doi:10.1377/hlthaff.2023.00403

[3] Organisation for Economic Co-operation and Development. OECD Health at a Glance 2023 Country Note: The United States. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/07/health-at-a-glance-2023_39bcb58d/united-states_1bd99de8/4268c3ef-en.pdf

[4] Shrank WH, Rogstad TL, Parekh N. Waste in the US Health Care System: Estimated Costs and Potential for Savings. *JAMA*. 2019;322(15):1501-1509. doi:10.1001/jama.2019.13978

[5] In general, these policies have also been labeled as value-based purchasing, value-based payment, and value-based contracting.

to: 1) review proposed physician-focused payment models (PFPMs) submitted by individuals and stakeholder entities;[6] 2) prepare comments and recommendations regarding whether such proposed models meet criteria established by the Secretary of Health and Human Services (the Secretary, HHS); and 3) submit these comments and recommendations to the Secretary. The process provides stakeholders with an opportunity to bring proposed PFPMs to the attention of policymakers and to be evaluated by independent experts.

The Committee received the first PFPM proposal in December 2016. By January 2021, PTAC had deliberated and sent recommendations to the Secretary of HHS on 28 proposals for APMs. After making recommendations concerning specific payment models proposed by the public, the Committee began conducting theme-based public meetings to make recommendations related to specific topics relevant to the development and testing of APMs. These theme-based meetings have focused on providing advice and recommendations to the Secretary and the CMS Innovation Center on a variety of topics relevant to the submitted proposals and crucial to developing, implementing, and expanding APMs. Theme-based public meetings also provide key health system stakeholders with the opportunity to inform policymakers by bringing their expertise, experience, and ideas into the policy process. PTAC's theme-based topics have included a vision for total cost of care (TCOC) models; payment strategies; performance measurement; care coordination; rural issues; technology-enabled care, artificial intelligence (AI), and patient empowerment; and patient safety for APMs.

PTAC's operations over the past 10 years have produced a wealth of information for informing policymakers and the public on key issues concerning APMs and delivery system transformation. The information is derived from several sources. First, Committee members have brought considerable first-hand expertise and extensive hands-on experience with value-based care to public discussions on the topic. Second, the Committee's deliberations and recommendations have been informed by presentations and discussions with a variety of subject matter experts (SMEs) at public meetings. At its theme-based meetings, the Committee has listened to over 250 presentations from SMEs. Finally, the content and structure of each public meeting is informed by extensive environmental scans and original data analyses requested by Committee members. All the presentations, research reports, and environmental scans are available on the ASPE PTAC website.

In this white paper, PTAC presents its policy recommendations for moving forward with value-based care. These recommendations are based on all the Committee has learned in producing this body of information described above. They also build on the learning and successes of the CMS Innovation Center models, MSSP, and value-based efforts of other payers. The white paper is structured to present and describe recommendations in key topic areas that have arisen through the Committee's meetings and deliberations. After a brief description of evidence to date and the potential directions for moving forward with value-based models, the white paper describes the Committee's definition for a population-based TCOC model and its vision for care under such a model. The recommendations for payment, performance measurement, and other relevant policies are largely focused on resourcing and incentivizing these TCOC models.

[6] PFPMs are APMs in which Medicare is a payer and eligible clinicians play a core role in implementing the payment methodology, and which target the quality and costs of services that eligible professionals participating in the APM provide, order, or can significantly influence.

LOOKING BACK AND MOVING FORWARD

In developing the recommendations for this paper, the Committee has considered all the evidence—quantitative and qualitative—presented to it over 10 years of operation. As briefly described in this section, the evidence includes participation trends in APMs, savings estimates from TCOC models, and, of equal importance, the hands-on experience with value-based care as described to the Committee by the variety of its public meeting presenters.

The emerging evidence suggests that ACOs—the principal TCOC model—are achieving savings that are growing over time. A recent review estimates that the CMS Innovation Center's ACO models have lowered spending by $2.8 billion.[7] In addition, MSSP was estimated to reduce gross spending by $6.6 billion and increase net savings by $2.5 billion in 2024.[8] Another study suggests that CMS Innovation Center models and MSSP have had spillover effects—that is, reduced spending for beneficiaries not participating in the models.[9] Of equal importance, there is qualitative evidence of changes in underlying care patterns occurring as a result of the models being implemented.[10]

PTAC has now heard public presentations from a wide variety of experts across the health care system. The consensus from these presentations is that there is acceptance and willingness among stakeholders to adopt accountable care as the model for moving into the future. The Committee has not heard any strong statements suggesting a retreat from value-based care. Indeed, presenters have made many constructive suggestions about policies that would accelerate the adoption of accountable care, such as benchmark changes, upfront investments for specific providers, and data sharing. In addition, participants are looking for assurance and certainty about future value-based care policy directions.

The Committee recognizes that, after nearly 15 years of efforts, there is some disappointment in the spending impact of ACOs. PTAC believes, however, that a careful evidence-based process must be applied to transforming the nearly $6 trillion health care system, and that current estimates of ACO spending impacts do not fully capture the delivery system changes that have occurred because of these models being implemented. The Committee believes that the CMS Innovation Center has taken a well-considered test-and-modify approach to fielding new models that incorporate learning from previous models. With impacts trending in the right direction, PTAC believes that patience should be exercised in drawing conclusions from past and emerging results. At the same time, the Committee believes that the time is right to use current evidence to take an increasingly aggressive approach to scaling value-based care across the health system. The Committee also recognizes that there are obstacles to substantial

[7] Nyweide DJ. The First Decade of ACO Model Evaluations in the Medicare Program: A Systematic Review. *Med Care Res Rev*. 2026;83(1):3-19. doi:10.1177/10775587251325914

[8] Centers for Medicare & Medicaid Services. Medicare Shared Savings Program Accountable Care Organizations: Updated Performance Year 2024 Financial and Quality Results. September 29, 2025. https://www.cms.gov/files/document/fact-sheet-ssp-py24-financial-quality-results.pdf

[9] Assistant Secretary for Planning and Evaluation (ASPE),
The Impact of Alternative Payment Models on Medicare Spending and Quality, 2012-2022, Issue Brief HP-2025-04, https://aspe.hhs.gov/sites/default/files/documents/331ef819085bf78627bfd59e3bcdbce0/The-Impact-of-Alternative-Payment-Models-2012-2022.pdf

[10] Fowler E, Rawal P, Calloway R. The Spillover Effect of the CMS Innovation Center. *NEJM Catalyst*. January 21, 2025. https://catalyst.nejm.org/doi/full/10.1056/CAT.24.0427

participation growth in ACOs and provides recommendations in this paper to maximize the number of providers and patients under these arrangements.

PTAC has also considered the role of Medicare's current fee schedules in the transition to accountable care. Although FFS should ultimately be made less appealing than value-based care and payment, targeted fee schedule modifications can be a pathway to value-based contracting. For example, the Committee has been provided with examples of fee schedule modifications that would encourage advanced primary care and better integration of primary care and specialty services. Moreover, as discussed in the following sections, using fee schedules in various ways as the basis for value-based contracting can help policymakers to recognize different business models of provider organizations and maximize the attractiveness of accountable care as entities transition from FFS to value-based care.

Recommendation 1

Through communications, model design, and implementation strategies, policymakers should continually reinforce a sense of urgency around and commitment to value-based payment and care as the principal policy tool for transforming the delivery system to moderate spending growth while improving population health outcomes.

TCOC: VISION FOR THE CARE MODEL

The Committee strongly believes that a shared vision of high-value, patient-centered care should be the foundation for policies intended to transform the delivery system. This vision should include basic principles for care delivery under accountable care arrangements and become a core element in designing policy for TCOC models. That is, the critical policies to resource and incentivize the care vision—such as payment parameters, performance measurement, and waivers—should be fully aligned with these principles. The Committee also believes that provider organizations should have considerable flexibility to implement these principles in ways that best serve the needs of their patient populations.

PTAC is using the following working definition of TCOC in the context of population-based models:

> *TCOC is a composite measure of the cost of all covered medical services delivered to an individual or group. In the context of Medicare APMs, TCOC typically includes Medicare Part A and Part B expenditures [representing Medicare Part A and Part B expenditures only], and is calculated on a per-beneficiary basis for a specified time period.*[11]

PTAC is using the following working definition of population-based TCOC (PB-TCOC) models:

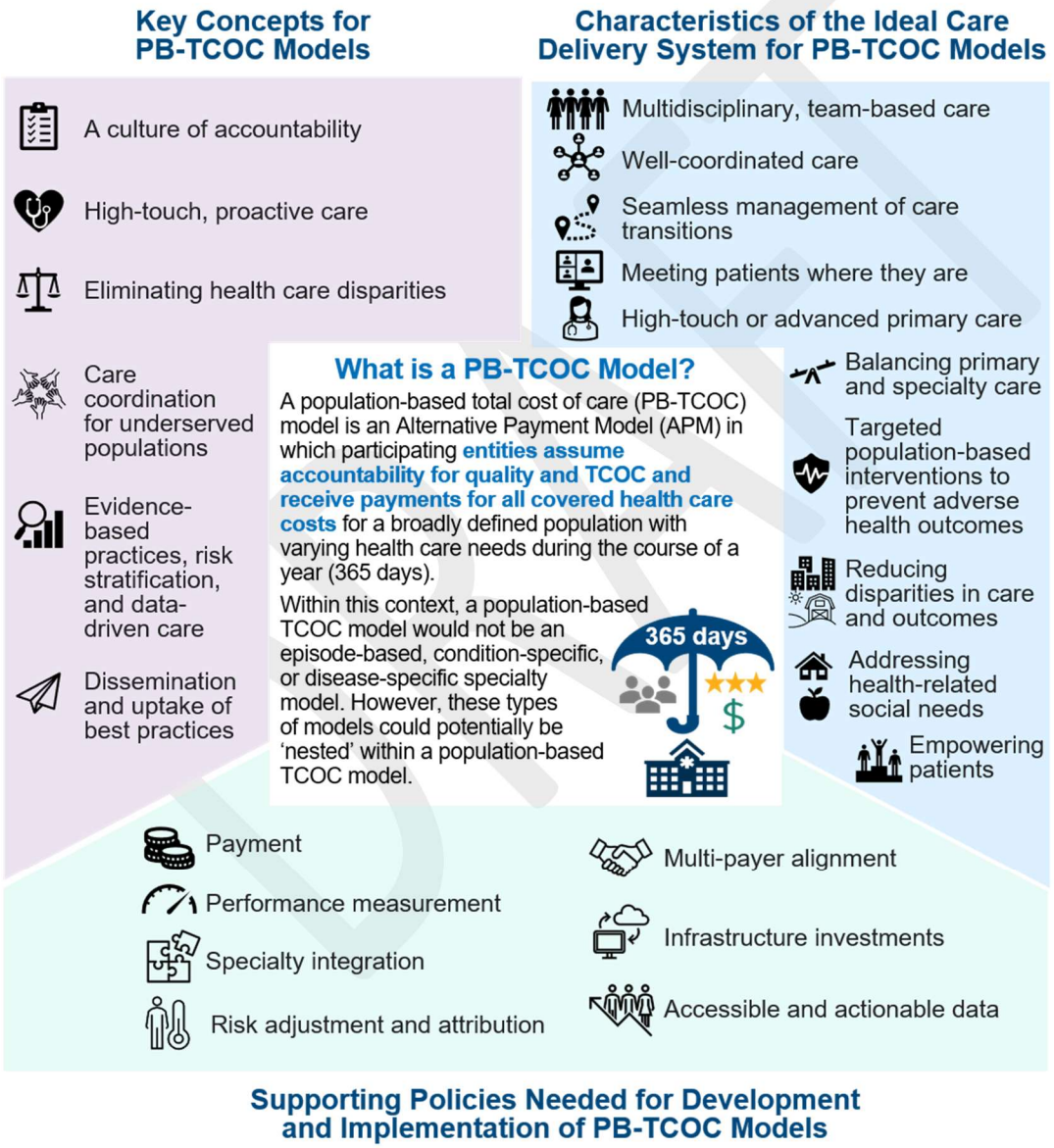
> *A population-based TCOC model is an APM in which participating entities assume accountability for quality and TCOC and receive payments for all covered health care costs for a broadly defined population with varying health care needs during the course of a year (365 days).*

[11] Around the time when PTAC developed the working definition for how TCOC should be defined in the context of PB-TCOC models, the Committee questioned whether Part D expenditures should be included in TCOC calculations or whether the exclusion of Part D expenditures leads to unintended consequences related to shifting therapies between Part B and Part D options. This topic was discussed in the March, June, and September 2022 Report to the Secretary.

Within this context, a population-based TCOC model would not be an episode-based, condition-specific, or disease-specific specialty model. However, these types of models could potentially be "nested" within a population-based TCOC model.

The Committee believes that it is important to consider the desired vision and culture for future PB-TCOC models before identifying the desired care delivery and payment features of these models. Exhibit 2 summarizes the key concepts, characteristics of the ideal care delivery system, and supporting policies needed for the development and implementation of PB-TCOC models.

Exhibit 2. Definition and Vision for Population-Based Total Cost of Care (PB-TCOC) Models



Committee members identified six concepts relating to the desired vision and culture for PB-TCOC models:

- A culture of accountability;

- High-touch, proactive care;
- Eliminating health care disparities;
- Care coordination integrated into all populations;
- Evidence-based practices, risk stratification, and data-driven care; and
- Dissemination and uptake of best practices.

Thus, from all the information presented to the Committee, members identified several important features of the ideal care delivery system for PB-TCOC models, which constitute Recommendation 2.

Recommendation 2

Across all payers, there should be a shared vision for the care delivered by TCOC models, encompassing the following priorities:

- Multidisciplinary team-based, high-touch, proactive, patient-centered care;
- Seamless, well-coordinated care, including during care transitions;
- Strong patient empowerment and engagement;
- Balanced use of, and coordination between, advanced primary care and specialty care;
- Targeted population-based interventions to prevent or mitigate populations' risk of developing adverse health outcomes;
- Emphasis on reducing disparities in care and outcomes; and
- Identification of health-related social needs and connection to appropriate resources.

Payment methods and performance measures should continually evolve to reinforce the shared vision for care.

In addition:

Recommendation 3

For TCOC models that involve participation among organizations as accountable care entities, accountability should be placed at the level of the organization, with flexibility to design incentives at the provider level.

The Committee notes that ACOs, hospitals, and integrated delivery systems (IDSs) have more resources and infrastructure to assume risk compared with individual providers. The purpose of contracting with organizations is to pool risk into larger populations and encourage organizations to do what clinicians cannot—such as organizing care practices, making joint decisions about capacity, and managing the workforce—noting that devolving risk from the group to the clinician level defeats that purpose.

Recommendation 4

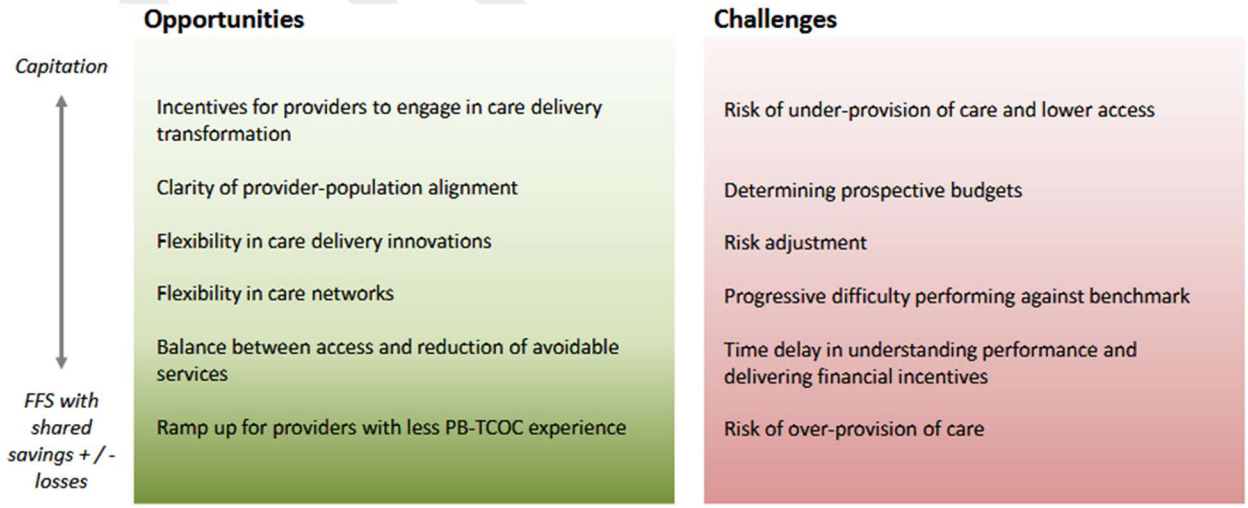
Assuming regulatory and clinical appropriateness, accountable entities should be afforded flexibility in how they manage and organize care in accordance with the vision described in Recommendation 2.

PAYMENT APPROACH

The Committee's basic payment concept for TCOC models is that they are APMs in which participating entities assume accountability for quality and TCOC and receive payments for all covered health care costs for a broadly defined population with varying health care needs throughout the year (365 days).

These APMs might be implemented as FFS payment with shared savings, partial capitation, or full capitation. In addition, particularly where FFS payment is used, payment should be prospective and retrospective. That is, at least some upfront payments should be made to allow for investments needed to ensure that infrastructure is consistent with value-based care. A variety of SMEs have advised the Committee that FFS payment with shared savings can be structured (e.g., two-sided risk) to produce similar incentives for value-based care as for capitation. Nonetheless, as represented in Exhibits 3 and 4, the Committee recognizes different policy challenges and opportunities based on these choices. Most importantly, the Committee believes that to maximize participation in TCOC models, payment policy must recognize the organizational structures and business models, both current and post-transition, of accountable entities (Exhibits 5 and 6). Finally, presenters have frequently emphasized the need for timely, predictable payments and the ability to benefit from achieved spending reductions, both at the accountable entity level and at the level of the entity's individual providers. For example, eliminating the "ratchet effect" in calculating ACO benchmarks has often been raised with the Committee. PTAC recognizes the CMS Innovation Center's progress in addressing this issue as reflected in the implementation of the Long-term Enhanced ACO Design (LEAD) Model.

Exhibit 3. Opportunities and Challenges Associated with Selected Payment Methodologies (Continuum)



Abbreviations: FFS, fee-for-service; PB-TCOC, population-based total cost of care

Exhibit 4. Opportunities and Challenges Associated with Selected Payment Methodologies

Methodology	Opportunities	Challenges	Example
Full Capitation	Increased incentives to engage in care transformation; flexibility in care networks; clarity about provider-population alignment	Risk of under-provision of care and lower access; determining prospective budgets	Medicare Advantage
Partial Capitation	Flexibility in care delivery innovations; facilitate transition to increased risk	Risk adjustment; progressive difficulty performing against benchmark	Global and Professional Direct Contracting Model (now ACO REACH)
FFS with retrospective shared savings + / - losses	Balance between access and reduction of avoidable services; ramp up for providers with less PB-TCOC experience	Time delay in understanding performance and delivering financial incentives (from reconciliation); risk of over-provision of care	Medicare Shared Savings Program

Abbreviations: FFS, fee-for-service; PB-TCOC, population-based total cost of care

Recommendation 5

Regardless of the specific payment approaches implemented, CMS should continue to make progress in establishing benchmarks that engender long-term predictability for payers, health plans, and accountable care entities.

Benchmarks should allow for a sustainable projected spending path for the Medicare program while allowing accountable entities to continuously benefit financially from achieving savings. Benchmarks should not automatically adjust to actual spending experience for individual accountable entities.

Recommendation 6

Regardless of the specific payment approaches implemented, some portion of payment should be made prospectively to provide financial predictability and enable investments in infrastructure needed for the transformation to value-based care.

In addition, TCOC models must have tools, resources, and infrastructure to enable providers to access real-time data and to facilitate data sharing between providers and risk-bearing entities. For some provider organizations (e.g., those that are low-volume, rural providers), upfront payment strategies may be necessary to ensure that these investments can be made.

Recommendation 7

For clinicians and organizations new to value-based payment, a clear, simple glide path should be implemented to enable capacity building, for example, by beginning with upside-only risk (potential for savings but not losses) and moving toward two-sided risk (potential for either savings or losses) over time.

MAXIMIZING PARTICIPATION IN TCOC MODELS

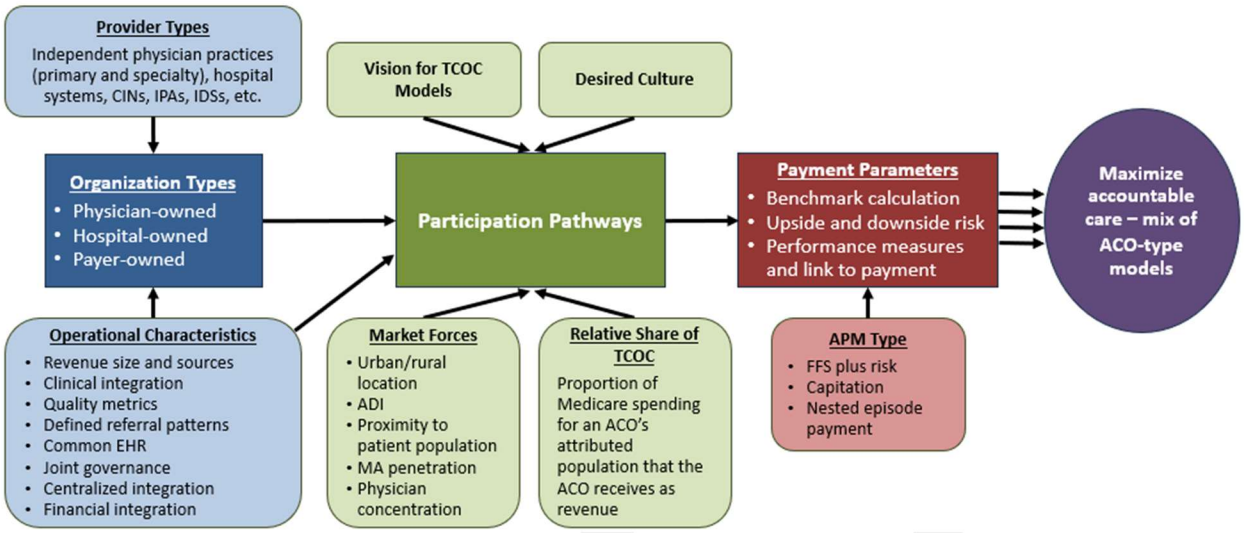
Based on engagement in public forums with a variety of stakeholders and evidence presented to it, PTAC believes that maximum participation in TCOC models is essential for effective delivery system transformation. The recent growth in ACO participation, after a plateau from 2018 to 2022, is encouraging. Nonetheless, there are reasons for concern about obstacles to advance significant increases in participation under current policies. For one, because ACO models are voluntary, those providers and organizations that are less likely to succeed under shared savings arrangements are unlikely to participate. Physician-led organizations are now the predominant ACO type. This ACO type is able to achieve savings through effective care that results in reductions in hospital services such as admissions and emergency department visits. IDSs and hospital-based systems have little or no incentive to participate—they have fewer options for reducing utilization without reducing their own revenues in order to receive a lesser amount back in shared savings. At the other end of the provider spectrum, smaller and rural practices often do not have the resources to make the investments needed for value-based care and to undertake financial risk.

PTAC has sought research and public input for assessing how CMS might create multiple pathways that would incentivize the full range of provider organizations to enter value-based arrangements—especially TCOC models. The Committee has noted that how payment arrangements are structured is critical to maximizing participation in accountable care models. Payment models should promote financial stability for providers—participation in value-based care must be financially viable for providers, and they must see a feasible path to savings to participate in APMs. For these reasons, the Committee has made the case that value-based payment arrangements should be consistent with the structure of provider organizations and their business models. However, payment models should not be designed to promote the current business model but rather one that requires a transition to value-based care. PTAC is using the following working definition of a "health care business model" for consideration of factors related to participation in PB-TCOC models:

> *A viable health care business model is one that allows a health care entity to provide health care services that meet patient needs and deliver value while ensuring financial returns that make it worthwhile to continue operating over time.*

Exhibits 5 and 6 summarize the important issues and factors for considering pathways to accountable care for multiple types of provider organizations. Exhibit 5 describes organizational and market factors that affect a provider organization's ability to undertake risk under different payment approaches. For example, large, integrated systems would have resources, both financial and for clinical integration, as well as management controls to potentially accept financial and performance risk and distribute payments throughout their system. Relative to large, integrated systems, physician-led ACOs have less ability to distribute payments and exert management control over other providers who care for their patients.

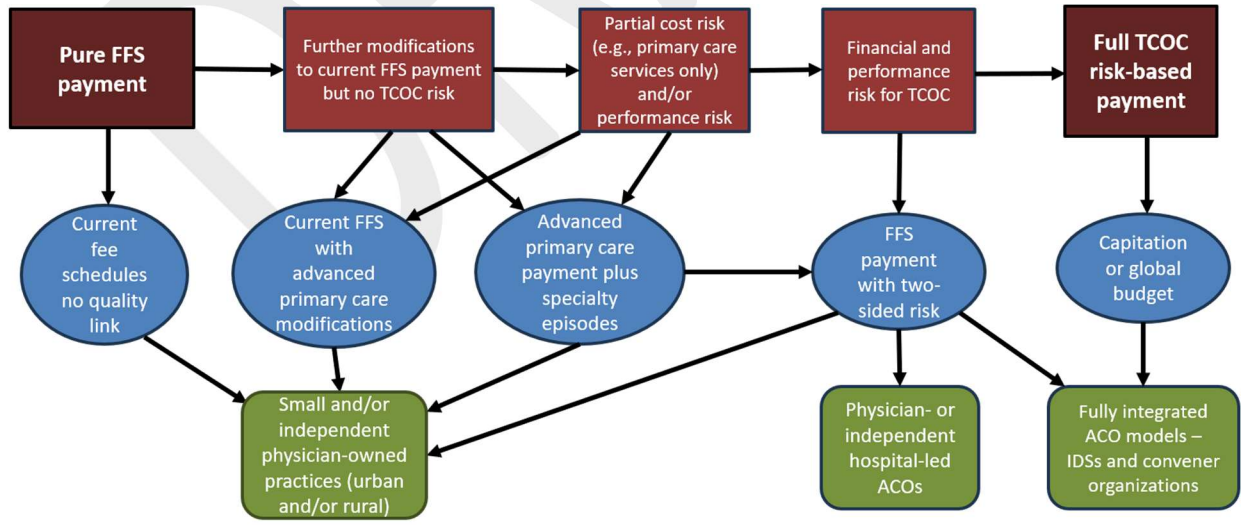
Exhibit 5. TCOC Model Pathways to Maximize ACO Participation



Abbreviations: ACO, Accountable Care Organization; ADI, Area Deprivation Index; APM, Alternative Payment Model; CIN, clinically integrated network; EHR, electronic health record; FFS, fee-for-service; IDS, integrated delivery system; IPA, independent physician association; MA, Medicare Advantage; TCOC, total cost of care

Exhibit 6 describes the types of payment arrangements that might be consistent with each type of organization that could participate as an ACO. For example, capitation or global payments might be appropriate for integrated systems and convener organizations, but most physician-led ACOs would likely rely on an FFS chassis for their payments. The Committee notes that payment arrangements that rely on modified fee schedules with little or no financial risk might be considered transitional models as they serve as pathways to full value-based arrangements.

Exhibit *6*. Pathways and Payment Policies to Enhance Value



Note: The payment models in the first row of the diagram are aligned with the payment model categories in the HCP-LAN APM Framework.

Abbreviations: ACO, Accountable Care Organization; FFS, fee-for-service; IDS, integrated delivery system; TCOC, total cost of care

The Committee notes that the prior federal administration had set a goal of having all Medicare beneficiaries in TCOC relationships with providers by 2030. While the current administration does not have a specific participation goal, it has continued to expand ACO model opportunities based on the evidence produced to date. In considering all the evidence and presentations at PTAC's public meetings, the Committee believes that meaningful transformation of the delivery system requires maximum participation in value-based care across all patients and payers. Thus, pathways must be created and tested that allow for and incentivize participation of all provider types.

Recommendation 8

While CMS has made progress toward increasing incentives to participate in TCOC models, new pathways are needed to encourage greater participation among:

- Small and large independent practices and rural providers; and
- Integrated delivery systems.

These pathways would involve a number of different payment mechanisms, perhaps transitional, and may have to be supplemented with mandatory model development.

For small and large independent practices and rural providers, models with fee schedules could be modified to encourage advanced primary care, coordination, and specialty integration with a glide path to two-sided risk. Based on public testimony, the Committee recommends continued testing or models using capitated payments for primary care. Structuring these capitated rates to include current care coordination services (such as transitional care management and chronic care management services) could incentivize practitioners to both provide high-touch proactive primary care services and engage in longitudinal care coordination. These rates could offer both a pathway to accountable care for non-participating providers and a key portion of reimbursement for primary care in current ACOs.

For rural providers, spending reductions may be difficult to achieve from current levels. Thus, it may be necessary under current law to develop models geared toward maintaining spending while making significant quality improvements.

For IDSs, new methods of payment may need to be developed and tested. For example, fully prospective, capitated payments could be implemented that allow net revenue gains from spending reductions when paired with improved quality. The Committee notes that many of PTAC's public meeting experts have stated that, in addition to new payment methods, maximizing participation may require mandatory models and/or changes in FFS payments that make FFS payments a much less attractive alternative to APMs.

The vision for care in TCOC models requires coordinated, team-based care across all services to meet a patient's health needs. A common theme among presenters to the Committee has been the need to better engage and integrate specialists in TCOC models; there is concern that there has been little integration between primary and specialty care in current ACOs. Most specialists still practice in an FFS model. CMS-Administered Risk Arrangements (CARA) is a new initiative as part of the LEAD Model. CARA is designed to facilitate episode-based risk sharing between ACOs and specialists. By providing a digital platform, standardized contracts, and data-sharing capabilities, CARA enables specialists to share in risk-

based payments, encouraging stronger partnerships with ACOs. These risk-based payments should be financially significant to encourage the transformation to value-based care.

The Committee believes that CMS can build on this important new feature to encourage integration for all the pathways to accountable care described above. It is likely that, for some time, there will be a variety of models reflecting the organizational and payment arrangements represented in Exhibit 6. Improved, patient-centered care might be incentivized by a combination of APMs in which there is shared financial risk between primary care physicians and specialists, episode-based payments for which specialists bear risk, or enhanced FFS payments incentivizing financial and performance accountability. By continuing to define, analyze, and share data on episodes of care, CMS can encourage coordination and high-value primary and specialty care regardless of the degree of formal management control, relationships, and shared financial incentives among participants in TCOC models.

Recommendation 9

For all potential payment pathways (described in Exhibit 6), CMS should develop methods to incentivize integration of high-value specialty care with advanced primary care. Potential methods include the development of episode-based models that:

- Incentivize specialists to provide high-value, coordinated care;
- Nest cascading accountability into TCOC models as part of total payment to the organization;
- Involve data that can be used by accountable entities for internal payment and performance purposes; and
- Involve data that can inform referrals from primary care to high-quality specialists.

PERFORMANCE MEASUREMENT

Research presented to the Committee demonstrated that there was an extensive inventory of performance measures being used across value-based programs in Medicare.[12] An analysis of information in the CMS Measure Inventory Tool (CMIT) performance measure database for 24 Medicare pay-for-reporting and pay-for-performance models and programs found that:

- 618 current performance measures were used by the 24 models/programs;
- 375 measures (61 percent) were unique to a single model/program; and
- 366 measures (59 percent) were not endorsed by the CMS consensus-based entity (CBE).

The Committee observed that there was little evidence that these measures were related to actual performance, outcomes, or providers' concerns about burden and complexity.

[12] Welch J, Weiss A, Ahmed A, Moiduddin A. NORC at the University of Chicago. Overview of Current Performance Measures Included in Selected Medicare Payment Programs. Final Report. March 2024. https://aspe.hhs.gov/sites/default/files/documents/8c2ca9395d740c409e14234f8b97b93d/PTAC-Mar-25-Perf-Meas-Report.pdf

The Committee does note the progress that CMS has made to address these issues through the National Quality Strategy, which includes the Meaningful Measures initiative and the Universal Foundation effort. In addition, the CMS Innovation Center launched the Quality Pathways initiative to strengthen the focus on quality in APMs.

The Committee's recommendations for building on these initiatives have a primary focus: that performance measures should be closely aligned with the vision for care in TCOC models detailed in Recommendation 2. The payment benchmarks and risk-sharing arrangements for TCOC models would be designed to incentivize efficiency while the performance measures, when tied to payment, would incentivize efficiency achieved through well-coordinated, patient-centered care processes.

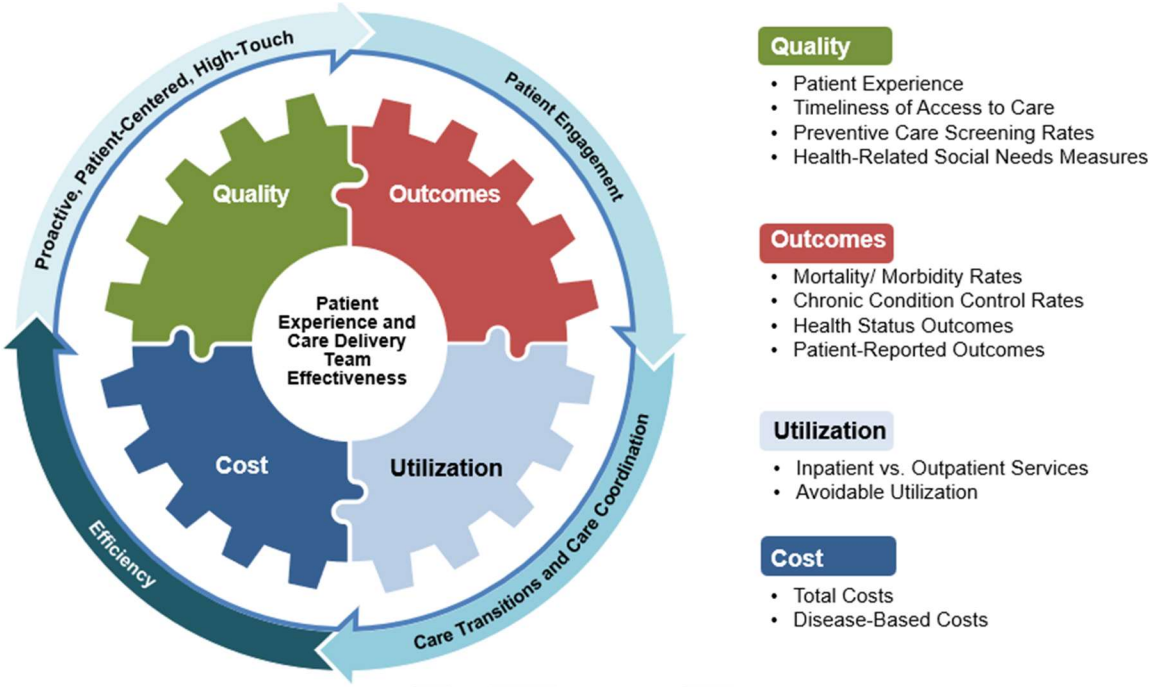
The Committee's conceptual framework for TCOC performance measurement is displayed in Exhibit 7. When identifying appropriate performance measures for PB-TCOC models, PTAC believes that it is important to consider several guiding principles, including:

- Providing proactive, patient-centered, high-touch care;
- Encouraging and seeking patient engagement;
- Managing care transitions and care coordination; and
- Improving efficiency, including reducing the amount of time needed to develop and test new measures, which can take two to three years.[13]

The guiding principles can be used to identify appropriate types of performance measures that can be used to evaluate participating PB-TCOC organizations and ultimately improve patient experience and care delivery team effectiveness. Exhibit 7 shows the relationship between the guiding principles and the types of quality, outcome, utilization, and cost measures that can be used to evaluate performance related to the guiding principles.

[13] Goldwater J, Silverman N, Johnson K, Roiland R. Using the NQF Measure Incubator to Develop Patient-Reported Outcome Performance Measures in Palliative Cancer Care. *AJMC*. 2026;22(SP8).

Exhibit 7. Relationship Between Guiding Principles and the Types of Performance Measures for PB-TCOC Models



There was a general consensus among the Committee members and presenters at the public meetings that current measures do not adequately capture the desired performance characteristics for TCOC models. The Committee strongly endorses developing measures that are patient-centered and consistent with the vision for care in TCOC models. There was also consensus that driving transformation was best served by macro-level measures, that is, measures developed at the system or accountable organization level rather than for individual providers within the system. Micro-level measures (e.g., by specialty) can be used by accountable organizations for internal measurement, payment, and reward policies.

Recommendation 10

Performance should be measured at the level of the accountable entity in TCOC models, with emphasis on performance measures that reflect key attributes of the vision for TCOC models detailed in Recommendation 2.

Recommendation 11

Measures used in TCOC models should be a balanced portfolio that reflects domains such as clinical quality, population health outcomes, and patient experience. These measures can:

- Include structure, process (if strongly linked to outcomes), and outcome measures;
- Include patient-reported outcomes and experiences with care; and
- Be derived from claims, electronic medical record data, or surveys.

Recommendation 12

Performance measures should be linked using transparent methods to payment at the level of the accountable entity in TCOC models.

The Committee notes that in 2024, the CMS Innovation Center announced the Quality Pathway strategy to align model design around quality goals; elevate outcomes and experience measures, particularly patient-reported outcomes; and ensure that evaluations have the ability to assess the impact of models on primary quality goals. CMS should aggressively pursue the Quality Pathway strategy in implementing the recommendations in this paper.

ENABLERS AND OTHER FLEXIBILITIES FOR TCOC MODELS

Optimizing payment and performance measurement policies is critical to expanding value-based care throughout the health system. In addition, experts at PTAC public meetings have informed the Committee of several policy suggestions important to enabling, encouraging, and maximizing participation in value-based care. The following recommendations reflect these ideas.

Many PTAC public meeting presenters emphasized that access to real-time patient data (including clinical data and claims) from all sources of care is essential for provider success in TCOC models. Real-time data on patient health care utilization gives providers the information they need to be able to assume risk, since providers cannot influence patient outcomes if they lack information, for example, on the hospital or emergency room care their patients receive. Access to data is critical for enabling providers to adopt best practices, for example, related to medication management, palliative care, and advance care planning. Stakeholders also discussed how access to data is essential to improving coordination between specialists and primary care physicians.

Recommendation 13

CMS should continue its efforts to provide real-time, patient-level claims data to accountable entities in TCOC models.

In several of PTAC's public meetings, presenters and Committee members stressed the importance of encouraging multi-payer alignment across PB-TCOC models. It is important to align payment approaches so that clinicians and organizations can focus on care transformation without the complexity of multiple payment structures, regulations, and performance metrics. There is a need for multi-payer alignment on data and quality measures to decrease administrative costs for accountable entities and to improve efficiency. One panelist stated that success in multi-payer alignment will require a shared vision across payers. Moreover, a critical mass of value-based revenues may be required to incentivize necessary infrastructure investments and changes in care patterns. Committee members also discussed the importance of multi-payer arrangements because of the challenge of changing practice patterns only on a limited scale, noting that "one payer–one program" at a time approaches may not include enough patient or revenue volume to change practice.

The Committee believes that it is also important to align policies within the Medicare program; that is, between Medicare Advantage (MA) participants and accountable entities within the traditional

program. In particular, a number of waivers from statutory and regulatory requirements are necessary to allow entities the flexibility they need to focus on wellness and provide well-coordinated, patient-centered care. CMS has granted waivers on a model-specific basis.

In November 2020, as part of the Regulatory Sprint to Coordinated Care initiative, HHS issued final rules that, among other things, established new exceptions under the Stark Law and new safe harbors under the Anti-Kickback Statute (AKS) for certain value-based compensation arrangements. Presenters at PTAC's public meetings have expressed concerns about the application of exceptions and waivers, noting that uncertainty about legal risk still creates reluctance to take advantage of exceptions and waivers.

Recommendation 14

To the extent possible under current authority, CMS should lead the way for commercial payers to encourage participation in value-based payment models. CMS should use its leadership position to help public and private payers align both their commitment to value-based care and payment, and their methods (e.g., risk adjustment, performance measures) for implementing these strategies.

Recommendation 15

CMS should provide accountable entities with waivers and flexibilities, including those that could be analogous to those allowed for Medicare Advantage plans, to ensure that accountable entities can achieve the vision for care under TCOC models.

These waivers and flexibilities may include relaxing restrictions, such as the 3-day stay rule and inpatient-only list, and allowing cost-sharing modifications to incentivize use of high-value services.

TCOC MODELS IN RURAL AREAS

Committee members believe that increasing the adoption of value-based care in rural areas is critical. Rural areas can be defined based on different factors, such as population size and density, proximity to a metropolitan area, geography, and geographic remoteness. An analysis conducted for PTAC revealed that approximately 63 percent of U.S. counties are designated as rural areas and include approximately 15 percent of the U.S. population (46.3 million people).[14] Rural providers participate in PB-TCOC models and ACOs at a lower rate than non-rural providers (roughly 12 percent versus 15 percent, respectively).[15]

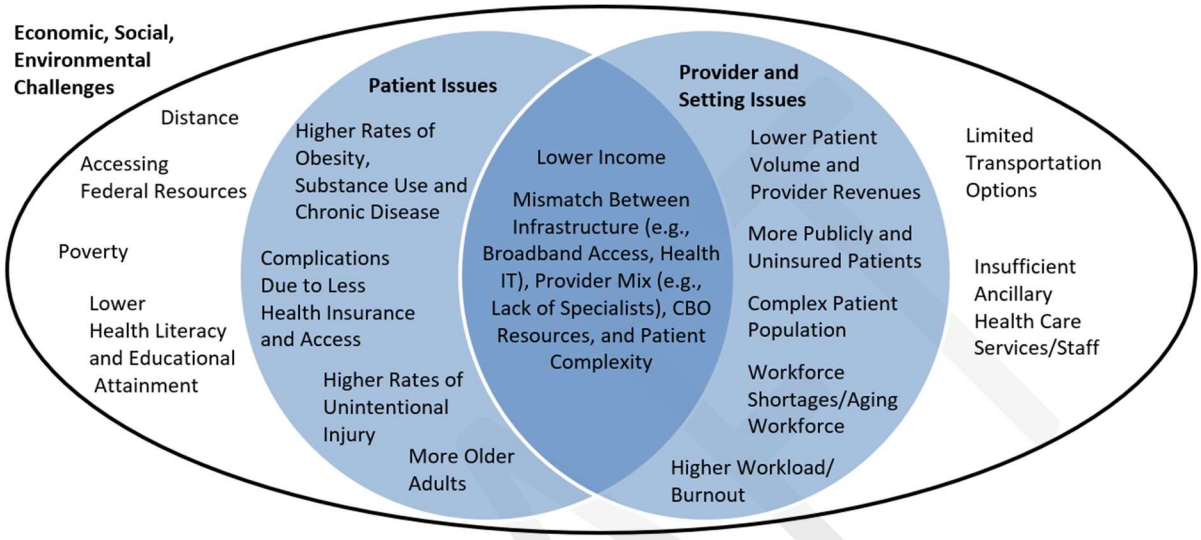
The Committee's members and public meeting presenters have identified a range of economic, social, and environmental challenges that affect rural patients, providers, and communities, which can

[14] Assistant Secretary for Planning and Evaluation (ASPE) and NORC at the University of Chicago. Environmental Scan on Encouraging Rural Participation in Population-Based Total Cost of Care (TCOC) Models. September 2023. https://aspe.hhs.gov/sites/default/files/documents/e33bac4e4801ea35363b6f8c8c8f1f59/PTAC-Sep-18-Escan.pdf

[15] Government Accountability Office. Information on the Transition to Alternative Payment Models by Providers in Rural, Health Professional Shortage, or Underserved Areas. GAO-22-104618. November 2021. https://www.gao.gov/assets/720/717649.pdf Health Professional Shortage Areas (HPSAs) are defined as geographic areas, populations, or facilities that have a shortage of primary care, dental, or mental health care providers.

adversely influence participation in APMs in rural areas (see Exhibit 8). Challenges may include limited transportation options, lower health literacy and educational attainment, poverty, higher rates of obesity and substance use, less health insurance coverage, and workforce shortages. Low patient volume can also contribute to challenges with APM participation related to patient attribution, benchmarking, performance measurement, and financial risk management.

Exhibit 8. Overview of Issues Affecting Rural Health Care Systems, Settings, Providers, and Patients



Abbreviations: CBO, community-based organization; Health IT, health information technology

The Committee believes that increasing provider participation in rural areas, and ultimately improving rural health care outcomes, requires a multipronged approach to strengthen rural infrastructure, increase sustainable funding, enhance recruitment and training of rural health providers, increase community health organization capacity, and address health disparities. Increasing rural participation in PB-TCOC models requires upfront funding, such as population-based prospective payments or global budgets, to aid rural providers in investing in high-quality care. Global budgets may be particularly useful as they typically include all payers, which could improve payment stability for rural providers. Additionally, because primary care is often underfunded in rural areas, a greater percentage of the overall spend on health care could be allotted to primary care in rural settings. The Committee also believes that it is important to provide a clear and simple glide path for rural providers with progressive risk (e.g., upside-only risk gradually transitioning to two-sided risk) to encourage participation in value-based care. Due to the heterogeneity of rural areas, each type of rural area may require a tailored solution to facilitate health care delivery transformation.

Recommendation 16

Rural provider participation in TCOC models should be encouraged by multiple strategies, including providing upfront payments to support the adoption of health information technology infrastructure and data analytics, allotting a greater percentage of the overall spend on health care to primary care in rural settings, and establishing participation glide paths.

Low patient volume in rural areas can lead to less predictable spending and utilization patterns, which increase financial risk for rural providers and may impede rural providers' participation in APMs. Low patient volume can also contribute to challenges related to patient attribution, benchmarking, and performance measurement. Regionalization and risk pooling may be potential strategies to reduce the risk of participation in value-based care for rural providers. Spreading fixed costs and ensuring a greater pool of patients can help balance downside risk.

Recommendation 17

Rural providers should be encouraged to collaborate with other providers in their region to aggregate the volume of patients under value-based payment models.

TECHNOLOGY-ENABLED CARE, AI, AND PATIENT EMPOWERMENT IN TCOC MODELS

As part of PTAC's shared vision of care delivered by TCOC models, the Committee has considered the importance of patient-centered care, which prioritizes patients' needs, values, and preferences for their health and health care. One component of patient-centered care involves empowering patients to make informed medical decisions and manage their own health.

Findings from the Patient-Reported Indicators Survey (PaRIS) U.S. sample, which targets adults aged 65 years and older, indicated that 77 percent of adults reported feeling confident or very confident in managing their health and well-being, and 78 percent of adults reported definitely feeling involved in making decisions about their health.[16] However, over half (54 percent) of adults reported relying heavily on their health care providers to make medical decisions on their behalf. Health literacy may be a barrier to patients being more involved in making decisions about their health, as over one in five (22 percent) adults have difficulty understanding their health information.

To empower patients and support providers, the Committee's recommendations focus on ensuring that patients and providers have access to real-time, usable patient health data. Access to patient health data is critical to allowing patients to actively engage in their health and make informed decisions about their care. Patient health data can support shared decision-making, which is a model of care that encourages patients and clinicians to work together to make informed medical decisions that align with patients' health goals. The Committee also believes that digital health tools (e.g., wearable devices, patient portals) have an important role in collecting, sharing, and integrating patient health data to promote patient empowerment.

During PTAC's September 2025 public meeting, Committee members and presenters agreed that access to patient health data is not sufficient to promote patient empowerment; the data must also be usable to support shared decision-making and care improvements. Digital health tools generate large volumes of data, which providers must synthesize to produce actionable insights. Data should be condensed into

[16] Assistant Secretary for Planning and Evaluation (ASPE). Measures of Patient Empowerment for Medicare Beneficiaries: Evidence from the Patient Reported Indicators Survey (PaRIS). September 8, 2025. https://aspe.hhs.gov/sites/default/files/documents/5aa730d9f0018164e93674f92484063e/PTAC-Sep-2025-PaRIS-Findings.pdf

clinically relevant formats with aggregated summaries so that clinicians can readily use and interpret the information.

Recommendation 18

Patients and their clinicians and organizations should be provided with access to real-time, usable patient health data to promote patient engagement. Digital health tools can aid in the collection, sharing, and integration of these data.

The Committee has discussed the growing role of technology, such as AI, in supporting providers with clinical decision-making and personalizing care. Use of new technologies to analyze and integrate large data sets can help shift the health care system from being symptom-based and reactive to proactive and predictive. For example, AI-enabled tools can identify patients with worsening conditions or at risk of needing treatment and flag changes in patients' health patterns. Key to this approach is ensuring that patient-collected data from digital health tools are integrated with provider-collected clinical data and non-clinical data such as social drivers of health. Across multiple PTAC public meetings, Committee members and presenters have emphasized the importance of continuing data interoperability efforts to reduce data fragmentation and information blocking.

The Committee has cautioned that attention is needed to ensure that the use of patient health data and AI does not have unintended consequences. Use of technology should be purpose-driven and focused on improving patient health and not used for other purposes, such as facilitating the inappropriate denial of patient claims. The Committee recognizes a key step in this direction made by the CMS Innovation Center in developing the Advancing Chronic Care with Effective, Scalable Solutions (ACCESS) Model, which tests an outcome-aligned payment approach to expand access to new technology-supported care options.

The Committee supports designing new APMs or modifying current efforts to incentivize providers to use patient health data and other empowering strategies. Additionally, APMs can use waivers that allow providers to offer patient engagement incentives that encourage patients to participate in their care. The Committee also supports designing APMs to empower patients by reducing barriers to health-promoting activities and care and by incentivizing the adoption of healthy behaviors and lifestyle changes. Patients should also be educated on the value of participating in APMs.

Recommendation 19

Through both payment methods and performance measures, APMs should strengthen incentives for providers to use the vast amount of usable data to generate actionable insights and empower patients through shared decision-making. Models should also incentivize patients to participate in decision-making and engage in health-promoting behaviors. For example, ACOs could be provided with waivers to allow for structuring out-of-pocket payments in ways that incentivize patient engagement.

PATIENT SAFETY

In exploring the role of APMs to improve patient safety across the health care system, PTAC heard from a broad range of stakeholders representing patients, providers, insurers, and academia. They had a common message: despite the efforts to date, medical errors remain a significant problem in health care. Following publication of the Institute of Medicine's *To Err is Human: Building a Safer Health System* report in 1999, a considerable amount of policy and measurement attention was placed on patient safety. There were noticeable improvements in selected measures of patient safety and hospital-acquired conditions. In recent years, progress seems to have stalled, and many of the poorest performing hospitals have not improved over time.

Perhaps more importantly, what is being measured is considered to be the "tip of the iceberg." That is, unreported errors such as diagnostic and medication errors, as well as near misses, represent a much greater patient safety problem. Moreover, current measures focus on inpatient care while many procedures are now provided in ambulatory settings. Currently, health system operations are geared to either retrospective quick fixes or hiding errors when they occur. Providers lack the data and information technology structure to prospectively identify potential errors. In addition, the current culture does not support a learning system in which identifying potential errors and implementing system fixes to address them is valued. Indeed, it appears that current policy does not foster an adequate business case for providers to address these challenges proactively, as opposed to less substantially dealing with errors after they occur.

Numerous changes should occur to eliminate preventable medical errors. The future state should be one in which the culture of health delivery values the identification of potential errors and modifies operations as needed to prevent those errors. In addition, data and information technology should be available to support this culture by providing timely and actionable information, as well as prospectively identifying potential errors. Moving to longitudinal data that can be accessed by patients, providers, and insurers is critical to capture the full care experience around a safety issue. As part of reporting and developing appropriate patient safety performance measures, patients and families should have a voice. Indeed, developing a set of patient-reported experience and outcomes measures may be an effective way of identifying errors and system problems that might otherwise not be visible.

The statutory responsibility of PTAC is to make recommendations to the Secretary concerning physician-focused APMs. Through expert presentations and public comments at its meetings, as well as responses to its Request for Input (RFI), PTAC is also informed about a variety of other potential policy alternatives to address a given issue. In the case of patient safety, the message from the public meeting was clear: the current level of patient harm in our system is unacceptable, and, therefore, a strong and immediate policy response is required. Multiple levers at the Secretary's disposal—payment, performance measurement, conditions of participation—could be used to send a clear message across the health care community that significant improvement in patient safety is necessary, and that change is required.

The Committee also makes the following recommendations specific to improving patient safety through APMs:

Recommendation 20

For current and newly implemented APMs, incentives to significantly improve patient safety efforts should be emphasized and strengthened through new performance measures and payment methods.

Recommendation 21

The CMS Innovation Center should consider developing a patient safety-specific model that includes incentives for new methods of reducing patient harm, such as investing in new information systems, changing system-level culture, and inducing greater transparency. One option is a hospital-level "earn-back" model in which hospitals would earn back payments withheld due to not meeting patient safety benchmarks or demonstrated improvement in specific patient safety-related performance indicators. Accountability should include ambulatory facilities and provider-owned or contracted hospitals and delivery systems. Entities implementing the withhold policy should account for and develop alternatives for financially vulnerable facilities.

Recommendation 22

In addition to the previous recommendation, the CMS Innovation Center might initiate a new version of the Health Care Innovation Awards for ground-level development and implementation of a patient safety model. For example, an award might be provided to organizations willing to form an alliance that shares longitudinal patient safety data and produces evidence of best practices.

SUPPORTING POLICIES FOR TCOC MODELS

PTAC was established by statute to make comments and recommendations to the Secretary of HHS concerning PFPMs. Within this context, it is beneficial for PTAC to reflect on PFPM proposals that have been submitted to the Committee to provide further advisement on pertinent issues regarding effective payment model innovation in APMs and PFPMs. With that in mind, the Committee began a series of theme-based discussions on this topic in September 2020. During the Committee's public meetings, a variety of stakeholders have made potentially useful comments and suggestions about policies that are not directly related to development and testing of payment models but would support model participation and enhance the chances for success. Because these topics have been raised in PTAC's public meeting, they are included as considerations for policymakers as opposed to formal recommendations.

Reforming FFS and MA while strengthening value-based models as an alternative to both—A common theme in public comments has been the problem and issues related to the predominantly voluntary nature of both MSSP and CMS Innovation Center models. For one, presenters have stated that FFS payment remains attractive relative to value-based arrangements to many providers, and, thus, they

have no incentive to volunteer. Under these circumstances, it is unlikely that any objectives for maximum participation in accountable care can be met. In addition, organizations that tend to join TCOC models under voluntary participation are in the best position to benefit from shared savings by improving quality and efficiency, thus limiting the generalizability of findings to other organizations and providers. Stakeholders believe that an approach containing both "carrots and sticks" may be needed, that is, making FFS less attractive while continuing to refine value-based payments to be more attractive to a wider variety of provider organizations.

In addition to FFS Medicare, stakeholders discussed the need to reform the Medicare Advantage (MA) program to be financially beneficial to CMS and level the playing field with accountable care in the traditional program. They noted that overpayments can lead some MA organizations to recruit patients and providers away from traditional FFS. Indeed, in geographic areas with very high MA penetration, it may be more difficult to recruit providers and beneficiaries in sufficient numbers to support accountable care models.

Shifting from voluntary to mandatory models—There is a range of incentives that can affect providers' choices regarding participating in a PB-TCOC model. SMEs described a continuum of strategies for moving away from the current payment environment, ranging from strongly incentivizing participation to making participation mandatory. Several SMEs discussed the potential desirability of a gradual shift to mandatory participation for some providers.

There are several potential advantages related to mandatory participation. First, mandatory participation would encourage providers who have not engaged with value-based payment to join PB-TCOC models, thereby helping to increase the proportion of providers' revenues that are in value-based arrangements and the incentives for engaging in broader value-based transformation. One SME noted that APMs cannot succeed without including enough of the right kinds of provider participants, which might require mandatory participation. Mandatory participation may be needed if TCOC models cannot create sufficient incentives to engage specialists, particularly in underserved and rural markets. Second, mandatory participation will enable more rigorous evaluation of TCOC models by alleviating the selection effect present in voluntary models. Third, accountable entities facing losses in voluntary models are likely to exit, limiting the impact of the models. Mandatory participation would bring in and retain lower performing organizations and providers who are in most need of improving care delivery and spending.

There are also potential challenges associated with mandating participation in PB-TCOC models. Most notably, not all providers are positioned to succeed in PB-TCOC models. Stakeholders suggested approaches to navigating these challenges. One SME supported an approach to encouraging participation in which incentives are considered on a spectrum, with different levels of incentives or requirements depending on the type of provider. For instance, large organizations can be heavily incentivized or required to incorporate two-sided risk, and small organizations can participate in less heavily incentivized programs similar to the original MSSP. Stakeholders also noted that the move to mandatory participation can happen incrementally, starting with voluntary models, then introducing more downsides of nonparticipation in these models, and eventually moving toward mandatory models over time.

Limiting the CMS Innovation Center portfolio—Stakeholders cited several advantages to offering a limited range of harmonized PB-TCOC models. SMEs noted the importance of being able to test models,

and how multiple models in the same market complicate evaluation. As APMs are becoming ubiquitous in many markets, it is difficult to select a comparative group that is not exposed to some form of PB-TCOC model. Additionally, a select set of PB-TCOC models will make it easier to encourage multi-payer and multistate participation. Stakeholders discussed the advantage of having a limited number of PB-TCOC models and how it will reduce complexity for providers and patients. For providers, it will be easier to track patients across different payers and models, and to engage specialists. It will also reduce providers' administrative burden to have to focus on requirements for only one model.

CONCLUDING COMMENTS

The recommendations presented in this roadmap white paper reflect PTAC's deliberations based on public testimony from multiple stakeholders and a growing body of research. The Committee has been impressed with the understanding, acceptance, and readiness to embrace value-based care among a wide variety of stakeholders from across the health care system. PTAC is also impressed by the innovation being implemented by providers and organizations in response to value-based care and payment. It is for these reasons that PTAC believes that savings estimates from the models to date greatly understate the impact CMS and other payers are having in pursuit of transforming into a patient-centered, high-value health care system. Indeed, the Committee members believe that it is time to use what they have learned to aggressively pursue maximum participation in value-based care across the entire system.

The Committee also believes that the focus for policymakers, purchasers, insurers, and patients should be on a shared vision of value-based care. Payment, performance measurement, and other policy tools described in this white paper should create support and strong incentives for making the desired care model a reality. PTAC also believes that TCOC models, such as the current ACO models, should be the primary vehicle for value-based care. With the appropriate mix of payment methods and performance measures, these models can offer the best opportunity for high-value, patient-centered care. Indeed, based on all the information considered, the Committee believes that optimizing key parts of the desired care model—such as advanced primary care, seamless care coordination, team-based care, patient safety, patient engagement, and technology enabled care—is best achieved through TCOC models, as opposed to a more piecemeal approach to APM implementation.

Over the next few years, the CMS Innovation Center should modify its portfolio to reflect the focus on TCOC. Models based on episodes of care, that are disease-specific, or that test payment for specific types of services, should be limited to those that implement shadow bundles and support TCOC through evidence creation. The focus on TCOC should be directed toward incentivizing and mandating, as needed, the participation of: 1) organizations that are well-equipped to provide the value-based care model envisioned but that currently find FFS payment more attractive; and 2) providers who still need financial and other assistance to make the investment necessary for value-based care.

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